

# The Effect of Human Resources Competence and Application of Regional Financial Accounting Systems on Quality of Financial Report

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**Abstract.** This research conducted to determine the effect of human resources competencies and application of financial accounting system on the quality of financial reports showing. Mechanical determination of sample using purposive sampling technique with a total sample of 165 people. The type of data used are primary data. Methods of data collection is done by questionnaire. Data using multiple regression analysis. The results indicate that the competence of human resources, financial accounting system application have a significant positive effect on the quality of the financial statements.

**Keywords:** quality of financial reports, human resource competency, financial accounting systems

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## Introduction

The paradigm shift of governance from the paradigm of formal government to a good governance paradigm puts the administration of government should become more efficient and equitable for the community. Concrete efforts to realize transparency and accountability of government financial management, both central and local government is to submit reports accountability in the form of financial statements. The financial report is a medium for the government to account for its financial performance to the public. The resulting government financial statements should contain quality information and meet the principles on time and be prepared in accordance with Governmental Accounting Standards in accordance with Government Regulation Number 24 Year 2005.

The financial statements produced by the local government will be used by some interested parties as basic information for economic, social and political decision making as well as evidence of accountability and management. Huang et al. (1999) in Xu et al. (2003) states that information will be useful if the information can support decision making and can be understood by the users. Therefore, local governments must pay attention to the information presented in the financial statements for the purposes of planning, controlling, and decision making.

This research refers to previous research, Indriasari & Nahartyo (2008) which stated that the utilization of information technology and internal control have positive effect on the reliability of local financial reporting information, while the human resource capacity has negative effect. Meanwhile, in Rofiyantie (2011) study concluded that human resources and the application of financial accounting system have an effect on financial reporting information value, it is also concluded by Arfianti (2011) that human resources, internal control system and information technology have a positive effect on value of financial statement information. In research Nunuy & Nuryanto (2013) also strengthen the results Rofiyantie (2011) and Arifianti (2011).

Based on the description of the background, then the issues of concern in this study can be formulated as follows: First, does the competence of human resources owned by Batam Government financial staff affect the quality of local government financial statements? Second, is the Local Government Accounting System implemented by the Batam

Government has a positive effect on the quality of local government financial reports?

## Literature Review

### *Agency Theory*

Jensen and Meckling (1976) describe the agency relationship within agency theory that the firm is a nexus of contract between the owner of the economic resources (principal) and the manager (agent) that takes care of the use and control of the resource.

With regards to agency issues, the practice of financial reporting in public sector organizations is a concept based on agency theory. In financial reporting, the government acting as agent has the obligation to provide information useful to users of government financial information acting as principal in assessing accountability and making decisions whether economic, social and political decisions and either directly or indirectly through its representatives.

This study aims to determine whether or not the influence of the relationship between the dependent variable quality of financial statements with independent variables of human resources and accounting system local government.

### *The Influence of Human Resource Competence on Quality of Financial Statement*

This study intends to re-examine the relationship between the competences of human resources owned by the financial staff with the quality of financial statements. The existence of human resources is instrumental in the preparation of financial statements. If the human resources contained within a government are competent in their field and able to perform their duties properly, it will produce a good quality of financial statements and in accordance with the rules that have been determined.

H1: The competence of human resources has a positive effect on the quality of local government financial reports.

### *The Influence of Application of Local Financial Accounting System to Quality of Financial Statement*

Regional financial accounting system according to the Minister of Domestic Affairs Regulation No. 59

of 2007, which is a series of procedures ranging from the process of data collection, recording, overview, up to financial reporting, in order to account the execution of APBD that can be done manually or using computer applications. Research Roviyantje (2011), found empirical evidence that the implementation of regional financial accounting system significantly influence the quality of financial statements. In order to obtain relevant, reliable and reliable financial reports, local governments must have a reliable accounting system. A weak accounting system makes the resulting report less relevant. With a good system, it will facilitate in processing financial data that works in accordance with established accounting standards.

H2: Application of local financial accounting system has a positive effect on the quality of local government financial statements.

## Research Methods

This study uses quantitative research methods and conducted in Batam on the Regional Device Work Unit Batam. Sampling is done by purposive sampling with criteria of structural officials and staff who have authority in the process of preparing financial statements. The instrument of this study is in the form of questionnaires, the questionnaire proposed consists of 3 variables, namely the quality of financial statements as the dependent variable and competence of human resources and the application of regional financial accounting system as an independent variable. The variable consists of several indicators measured using a Likert scale of 1-5.

Table 1  
Operational Definition of Variables

No.	Variable	Dimension	Indicator	Scale
1	Quality of Human Resources	Ability and characteristics owned by civil servants in the form of skills, knowledge and attitudes required in the implementation of his position.	Skills Knowledge Attitude	Interval
2	Regional Financial Accounting System	Accounting system that includes the process of recording, classification, interpretation, summary of transactions or financial events and financial reporting in the framework of APBD	Identification Classification The existence of a control system to ensure reliability Calculates each operating influence	Interval
3	Quality of Financial Statements	Normative measures that need to be manifested in accounting information so as to meet its objectives.	Relevant Reliable Can be compared Understandable	Interval

## Results and Discussion

In this study questionnaires were distributed as many as 175 questionnaires. All of the total questionnaires distributed, 165 questionnaires were returned and can be used as an analysis material.

Table 2  
Characteristics of Respondents

Explanation	Education	Sum	(%)
Last education	High School	33	20
	Diploma III	17	10.3
	Bachelor	34	20.6
	Bachelor-Accounting	54	32.7
	Master	27	16.4
Education and training	(0) never	4	2.4
	1- 3 times	82	49.7
	3 – 5 times	59	35.9
	> 5 times	20	12.2
Work experience	< 5 years	160	97
	6 – 10 years	5	3

Based on the data obtained from the research results, can be seen the characteristics of respondents. The characteristics are used to find out the general description of respondents in SKPD Batam Government, including the last education, education and financial training that followed and the work of the respondent.

Based on Table 2 shows that the most recent education data of respondents is bachelor-Accounting with a presentation of 32.7% or as many as 54 people. Furthermore, at level bachelor with 20.6% presentation or 34 people, high school with presentation 20% or 33 people, master with presentation 16.4% or 27 people and last education diploma III with presentation 10.3% or 17 people. While the number of the most followed by 1-3 respondents training education, as many as 82 respondents (49.7%), then the respondents training ranged from 3 to 5 times as many as 59 respondents

(35.9%), then the training of more than 5 times as many as 20 respondents (12.2%) and there were 4 respondents who had never attended the training.

Table 2 also shows that 97% of respondents have a working period of less than 5 years, and 3% of respondents have 6-10 years' experience.

Table 3  
Validity Test

Competence HR (X1)			Regional Financial Accounting System (X2)			Quality Of Regional Financial Report (Y)			r table
N	r value	Result	N	r value	Result	N	r value	Result	
1	.251	Valid	1	.366	Valid	1	.217	Valid	.153
2	.235	Valid	2	.391	Valid	2	.307	Valid	.153
3	.279	Valid	3	.265	Valid	3	.281	Valid	.153
4	.261	Valid	4	.129	invalid	4	.098	invalid	.153
5	.155	Valid	5	.238	Valid	5	.056	invalid	.153
6	.261	Valid	6	.380	Valid	6	.150	invalid	.153
7	.371	Valid	7	.393	Valid	7	.317	Valid	.153
8	.118	invalid	8	.327	Valid	8	.230	Valid	.153
9	.179	Valid	9	.223	Valid	9	.228	Valid	.153
			10	.341	Valid	10	.344	Valid	.153
						11	.340	Valid	.153
<b>Total</b>	<b>1000</b>		<b>Total</b>	<b>1000</b>		<b>Total</b>	<b>1000</b>		

Source: SPSS processed products

Validity test to test each variable used in this research. Where the overall research variable 32 statement that must be answered by the respondent. Based on Table 3 shows that r table = 0.153. Test is valid if r value > r table. For the variable of competence of human resources (X1) it is known that corrected item-total correlation of invalid question is number 8 (0,118) while for instrument of SAKD (X2) application it is known that the invalid corrected item-total correlation is number 4 (0.129) and for instrument the quality of the local financial statements (Y) is known that the invalid corrected item-total correlation value is number 4 (0.098), 5 (0.056), 6 (0.150) therefore, the test is repeated by eliminating invalid questions.

Table 4  
Reliability Test

X1		X2		Y		CA
Cronbach's Alpha	N	Cronbach's Alpha	N	Cronbach's Alpha	N	
.764	8	.764	9	.754	8	0.60

Reliability test is the level of stability of a measuring device in measuring a symptom or event. The higher the reliability of a meter, the more stable the measuring device is. According to Nunnally (1967) in Ghozali (2001), a construct is said to be reliable if it gives a Cronbach alpha value > 0.6.

Based on Table 4, the results of Cronbach alpha for the constructs of HR (X1) 0.764, SAKD (X2) 0.764 and the quality of the financial statements 0.754 above 0.60 indicate that all variables have Cronbach Alpha above 0.60 so it can be said all the

concept of measuring each the variable of the questionnaire is reliable so that for the next items on each concept of the variable is worthy used as a measuring tool.

Normality test is used to test whether the distribution of data follows or approaches the normal distribution, good data is the data that the normal distribution pattern.

Table 5  
Normality Test

	X1	X2	Y	A
N	165	165	165	
Kolmogorov-Smirnov Z	1.907	2.489	1.880	0.05

Source: SPSS processed products

Based on Table 5 it can be seen that the results of normality analysis with Kolmogorov Smirnov Test are respectively 1.907, 2.489, and 1.880. The value is all greater than 0.05 and means that the data of all variables is normally distributed.

Multicollinearity test aims to test whether the regression model found a correlation between independent variables. To determine whether there is multicollinearity in the regression model in this study is to look at the value of VIF and tolerance and analyze the correlation matrix of independent variables.

Table 6  
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1	X1	.837
	X2	.837
		1.195
		1.195

Based on Table 6 the competence of human resources (X1) with VIF 1.195 and tolerance > 0.837, while the application of SAKD (X2) is equal to value (VIF) 1.195 and tolerance > 0.837. Thus it can be concluded there is no correlation of independent variables between one another, or independent variable in this research is free multicollinearity because VIF value on HR (X1) and SAKD (X2) < 10, and tolerance value on human resources (X1) and SAKD (X2) > 0.1 (Ghozali, 2006).

Heteroskedastic test aims to test whether in a regression model there is a variance inequality of the residual over one observation to another observation. If the variance of the residual over one observation to another observation remains, it is called homoscedasticity and if different is called heteroscedasticity.

To approximate the heteroscedasticities in this study using Glester test. This testing glacier compares significantly from this test if the result is > 0.05 or 5% significance. If the significance above 5% then concluded the regression model does not contain any heteroscedasticities.

Table 7  
Heteroscedasticities Test

Model	Sig.	A
1 (Constant)	.145	
X1	.357	.05
X2	.070	.05

Based on Table 7 by looking at significance and alpha = 5%. It can be seen that the variable of HR (X1) Significant value (35% > alpha 5%), local financial accounting system variable (X2) significant value (7% > alpha 5%) which means that none independent variable statistically significant influence variable independent. So it can be concluded that the regression model does not contain any heteroscedasticity.

#### Hypothesis Test

Based on Table 8, adjusted R square is 0.140. It identifies that the contribution of competence variable of human resources and the application of financial accounting system of area is 14%, while 86% other is determined by other factors outside the model that is not detected in this research.

Furthermore, in Table 7 can be analyzed estimation model as follows:

$$KLK = 16.144 + 0.189 SDM + 0.275 SAKD$$

Table 8  
Hypothesis Test

	B	S.E	B	t	Sig.
Constant	16.144	3.400		4.748	**0.000
HR	0.189	0.090	0.166	2.09	**0.038
SAKD	0.275	0.075	0.291	3.671	**0.000
R <sup>2</sup>	0.140				
R	0.388				
F Value					**0.000

Note: \*\*p<0.05

The value quality of the financial statements shows a value of 16.144 which means an increase of 0.189 if human resources up 1 unit (assumed SAKD variable) and increased by 0.275 if the regional financial accounting system rose 1 unit (assumed HR variable).

To determine whether the independent variable simultaneously significant effect on the dependent variable, then tested F. The degree of trust used 0.05. If the value of F calculation results greater than the value of F according to the table then the alternative hypothesis, which states that all independent variables simultaneously have a significant effect on the dependent variable. Based on Table 8 result of data processing seen with significance value that is  $0.00 < 0.05$ . This indicates that the independent variables (competence of human resources and the application of regional financial accounting system) together (simultaneously) able to explain its influence on the dependent variable (the quality of local financial statements).

The value of t table is  $\alpha = 0.05$  with degrees of freedom (db) =  $n - k = 165 - 2 = 163$  is 1.654, based on the analysis results in statistic table it can be seen the effect of independent variables are as follows:

a. Hypothesis testing is done by comparing the significance value of 0.05. For the variable competence of human resources (X1) significant value is 0.03. Thus it can be said that the significant value of  $0.03 < 0.05$ . Coefficient value 18.9% from variable X1 positive value that is 0.189. This shows that this study can prove the competence of human resources (X1) have a significant positive significance to the quality of financial statements. Thus the first hypothesis (H1) is accepted.

b. Hypothesis testing 2. This test is done by comparing the significant value 0.05. For variable application of SAKD (X2) significant value is 0.000. Thus it can be said that significant  $0.00 < 0.05$ . Coefficient value of 27.5% from variable X2 is positive value that is 0.275. The results of this study indicate that the application of SAKD (X2) has a significant positive significance to the quality of

financial statements thus the second hypothesis (H2) is accepted.

### **Data Analysis**

#### *Effect of Human Resources Competence on Quality of Regional Financial Report.*

The results of this study indicate that the competence of human resources have a significant positive impact on the quality of local financial statements. Thus, if the competence of HR financial bench on SKPD Batam, in the sense of financial human resources are competent, then the quality of local financial statements produced on SKPD Batam better. This is also accompanied by the skills, knowledge and abilities possessed by respondents in preparing financial statements. In addition, work experience, work skills and training owned by an official SKPD Batam Government can affect the quality of human data sources.

The results of this study are in line with the theory put forward by Bastian (2006) that the existence of adequate financial staff competence allows the realization of quality financial statements in accordance with accounting standards of government accounting. Judging from the frequency distribution, that the competence of human resources have an influence on the quality of local financial statements this can be evidenced from respondents' answers to the questionnaire distributed. In general, the competence of human resources in SKPD Batam government is good.

#### *The Influence of SAKD Application on Quality of Regional Financial Report*

This study aims to see how much influence the implementation of SAKD on the quality of local financial statements. From the results of hypothesis testing found that the application of SAKD have a significant positive significance to the quality of financial statements. If the financial accounting system has been applied properly by SKPD Batam Government, the quality of local financial statements will be better. Because basically the accounting system is a unity that if not implemented or there is one part of the system that is not applied it is difficult to obtain the quality characteristics of local financial statements according to SAP that is relevant, reliable, understandable and comparable. As the definition of

regional financial accounting system by Kepmendagri No. 29/2007 namely accounting system that includes the process of recording, classification, interpretation, summary, transactions or financial events and financial reporting in the context of APBD, implemented in accordance with generally acceptable accounting principles. The exposure is supported by Halim (2002) which states, to be able to provide accurate and accurate information required a system that can be used in the provision of such information. So it is clear to obtain the quality of local financial statements according to SAP must be through the implementation of regional financial accounting system is good too.

### **Conclusion**

Based on the results of the analysis and discussion it can be concluded that human resources positive influence on the quality of local government financial statements Batam, which means the more competent human resources the better quality of financial reports produced. Likewise with the regional financial accounting system positive influence on the quality of local government financial statements Batam, which means the better local financial accounting system applied, the better also the quality of regional financial reports generated.

#### *Suggestions and Implications*

Based on the results of the analysis that has been done in this study the researcher suggests that are as follows: First, for further research, it is necessary to examine other factors that may affect the quality of regional financial reports, such as the internal control variables, the application of government accounting standards and many other things that can be used as variables research, so it can be compared with the results of research authors. Second, increase the number of samples to be studied, so that data analysis can be more accurate. The next, researcher suggest that existing employees within SKPD environment of Batam Government participate more in improving the quality of regional financial report in order to realize good governance. The last, researchers suggest that existing leaders in every SKPD Batam Government better monitor the performance of subordinates in each preparation of financial statements.

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